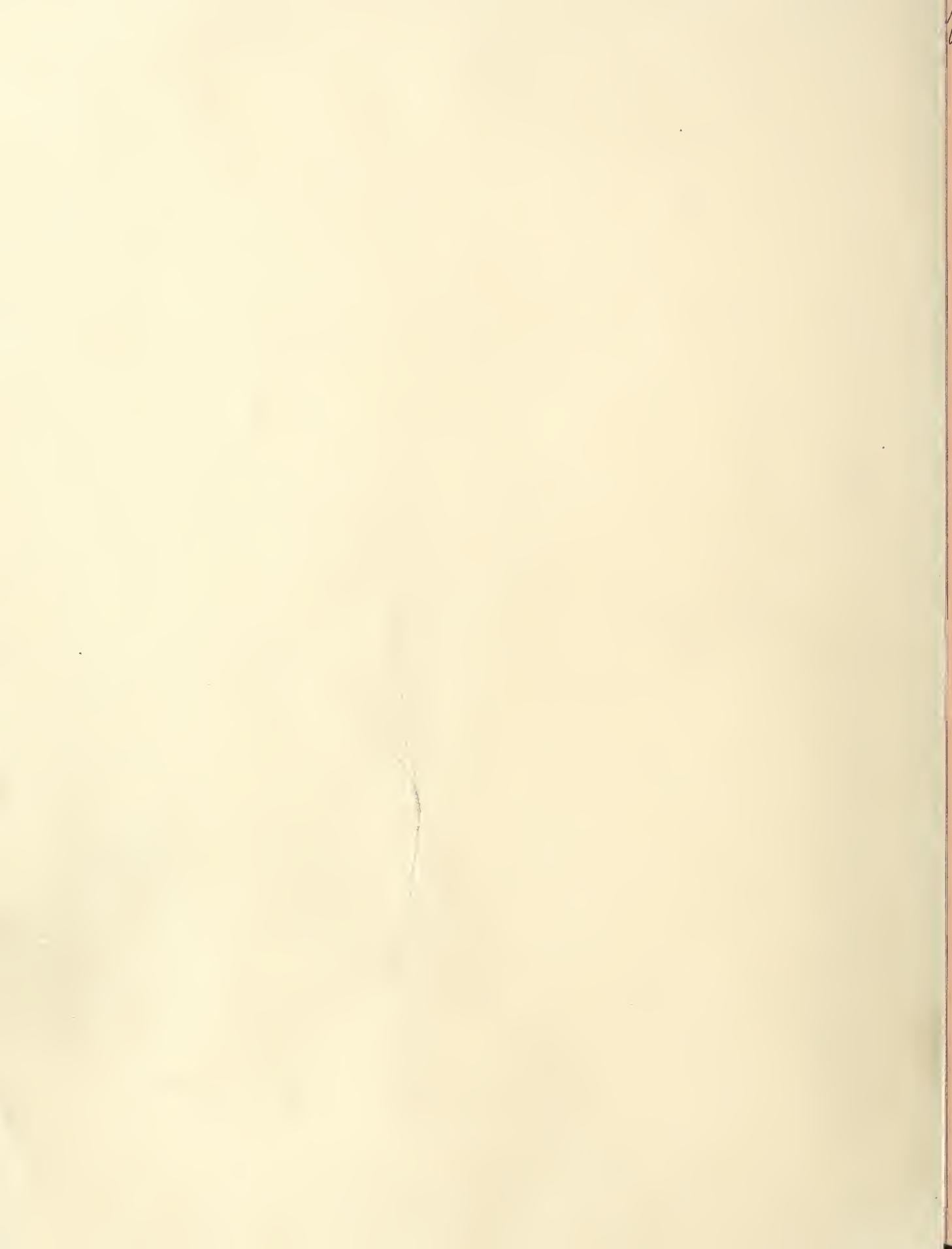


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ASCS BACKGROUND INFORMATION

Agricultural Stabilization and Conservation Service

U. S. Department of Agriculture

BI No. 2

June 1972

COMMODITY CREDIT CORPORATION

Purpose: The Commodity Credit Corporation (CCC) is a wholly owned Government corporation, created to stabilize, support, and protect farm income and prices; to assist in the maintenance of balanced and adequate supplies of agricultural commodities and their products, and to facilitate the orderly distribution of commodities.

Originally incorporated October 17, 1933, under a Delaware charter with a capitalization of \$3 million, CCC was initially managed and operated in close affiliation with the Reconstruction Finance Corporation, which funded its on-going operations.

On July 1, 1939, it was transferred to the Department of Agriculture by the President's Reorganization Plan I. On July 1, 1948, it was reincorporated as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act (62 Stat. 1070; 15 U.S.C. 714).

Management: Management of the Corporation is vested in a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex officio director and chairman of the Board. The Board consists of six members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate.

In addition, there is a bipartisan Advisory Board of five members appointed by the President to survey the general policies of the Corporation and to advise the Secretary with respect thereto. Composed of not more than three members of the same political party, the Advisory Board is required to meet at the call of the Secretary at least every 90 days.

The Secretary is directed to appoint officers and employees for the conduct of business of the Corporation, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, and require that those he may designate be bonded.

Financing: The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion.

Funds are borrowed from the U.S. Treasury and may also be borrowed from private lending agencies.

Each year the Corporation submits in the Budget of the United States the programs it expects to carry out in the coming year. Upon approval of the budget by the Congress, this becomes the basic operating plan of the Corporation for the fiscal year.

Operations: The Corporation has no operating personnel. Its price support programs, and domestic acquisition and disposal activities for price support commodities, are carried out entirely through the personnel and facilities of the Agricultural Stabilization and Conservation Service (ASCS) and this agency's three commodity offices, 50 State offices, 2,829 (1970) county offices, and a central data processing office. The three commodity offices are located in New Orleans, Minneapolis, and Kansas City, Mo.. Kansas City is also the location of the data processing center.

The ASCS State and county offices are supervised and directed by the Agricultural Stabilization and Conservation Service, but each is administered by a three member committee at the county level -- 3,061 in the 50 States in 1970 -- that is elected by farmers. At the State level, members (three to five) are appointed by the Secretary.

The Corporation also utilizes the services and expertise of other agencies in the Department to carry out its authorities and responsibilities. The bonding of federally licensed warehouses and the inspection of all warehouses used by the CCC are under the jurisdiction of the Agricultural Marketing Service (AMS), and the Export Marketing Service (EMS) is concerned with export programs. AMS also has jurisdiction for the acquisition of food items for domestic food programs, with distribution the responsibility of the Food and Nutrition Service.

Officers of the Corporation, directly or through officials of designated agencies of the Department, keep close and constant liaison with numerous other governmental and private trade operations, and with activities on international markets. Coordination of activities and communication of policy are pivotal factors in efficiency and economy of program operations.

Operating programs must be approved by the Corporation's Board of Directors and the Secretary of Agriculture.

Support Activities: Commodity support programs include (1972) those for wheat, corn, cotton (upland and extra long staple), rice, tobacco, milk and the products of milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, honey, crude pine gum and peanuts.

These support operations are handled primarily through loan, purchase and payment programs.

The Agricultural Act of 1970 initiated a cropland set-aside approach for participating producers in the voluntary wheat, feed grains and upland cotton programs (1971-73 crop years), and established a payment limitation a person could receive annually under the programs.

The Act provided an annual ceiling (1971-73 crops) of \$55,000 per crop on payments to producers of upland cotton, wheat, and feed grains, including all payments made for price-support, set-aside, diversion, public access and wheat marketing certificates. This limitation did not include loans or purchases.

This Act also extended the National Wool Act of 1954, as amended, through December 31, 1973, and continued the 1970 support price of 72 cents per pound for shorn wool and 80.2 cents per pound for mohair for each year of the extension.

The Act also suspended the operation of the mandatory butterfat price support program for farm-separated cream and permitted the Secretary to set lower support prices for butter.

Proposals for price support usually are prepared by ASCS divisions in the form of a docket -- a group of documents covering such matters as the economic and other factors upon which the proposal is based; total funds required; proposed method of support; the average level of support; conditions of eligibility; the geographic area and the period for which support will be available; basic operating provisions; and an authorization for ASCS to carry out the program under the general direction and supervision of the president or executive vice president of CCC, in accordance with bylaws of CCC.

When the program is approved, a public announcement is made -- usually a press release -- and detailed operating instructions are sent to personnel in charge of administering the program in Washington and the Field. Regulations

are also issued and published in the Federal Register for the guidance of those who wish to participate in the program.

The county ASCS office, generally located at the county seat, is the farmer's local point of contact in the case of most supported commodities.

County office personnel assist the farmer in the preparation of price support documents; check his eligibility for price support including the adequacy of farm storage facilities and compliance with cropland set-aside, acreage allotments or quotas and keep him informed of program details.

In the case of tobacco, peanuts, gum naval stores, and cotton, cooperative marketing associations handle certain phases of the program.

Dairy price support is handled through purchases of products from the commercial trade by the Minneapolis Commodity Office.

Inventory Operations: CCC is directed to utilize, to the maximum extent practicable, consistent with its purposes and efficient conduct of its business, the customary channels, facilities, and arrangements of trade and commerce in carrying on purchasing and selling activities, and in conducting warehousing, transporting, processing, and handling operations.

CCC may contract for the use of plants and facilities for the handling, storing, processing, servicing, and transporting of agricultural commodities subject to its control. CCC has authority to acquire personal property and to rent or lease office space necessary for the conduct of its business.

It is prohibited from acquiring real property, or any interest in property except for the purpose of protecting its financial interests and for providing adequate storage to carry out its programs effectively and efficiently. No refrigerated cold-storage facilities may be constructed or purchased except with funds specifically provided by Congress for the purpose.

Storage operations to safeguard stocks while they are in CCC ownership are an essential function of ASCS. Commercial storage facilities are used to the fullest extent practicable, and the major part of CCC stocks are stored in these facilities. Grains and related commodities in inventory and under price support loan are stored under a uniform storage agreement with some 10,000 commercial warehouses throughout the United States. Cotton, tobacco, dairy products, and other commodities are also stored under uniform agreements in commercial facilities. These agreements provide for uniform storage, handling payments, and other requirements needed to keep the inventory safe.

In the past, CCC has acquired supplemental bin storage in areas where storage was short, primarily in the corn-producing area. At one time, some grain was stored in ships of the reserve maritime fleet. Bin capacity has declined as unneeded bins were sold to farmers and private individuals, primarily for continued use in storing agricultural commodities. At the end of 1970, CCC owned bin-type storage had a capacity of about 382 million bushels. At the peak, this capacity was 989 million bushels.

To encourage storage of grain on farms, CCC is directed to make loans available to grain producers to finance the construction or purchase of suitable storage.

Commodity Disposal Operations*: Commodities from the price support inventory are moved into consumption outlets in various ways.

Some commodities are sold for domestic uses in the United States, and some are sold for export, including those under the CCC Export Sales Program and those programs authorized under Title I of Public Law 480.

Some commodities are bartered for goods and services to fill U.S. Government needs abroad, and for foreign produced strategic and critical materials for stockpiling.

* A detailed discussion of dispositions is included in ASCS BI No. 3, "Acquisition and Disposal of Farm Commodities by CCC," issued April, 1972.

In addition, commodities are donated through Federal, State, and private agencies for use in child nutrition programs and in the assistance of needy persons in the United States; commodities are transferred for donation through U.S. welfare organizations and intergovernmental organizations to needy persons and child feeding programs abroad; and dairy products are transferred to the Veterans Administration for use in hospitals and to the Secretary of the Army for use by the Department of Defense.

Some grains are donated to aid livestock producers in declared acute economic distress and major disaster areas; some grains are sold at reduced prices to livestock producers in areas where feed is short due to drought, flood, hurricane, or other catastrophe.

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